

840 CMR 17.00:           STANDARDS OF CONDUCT FOR FIDUCIARIES AND QUALIFIED  
INVESTMENT MANAGERS

840 CMR 17.00, establishing standards of conduct for fiduciaries and qualified investment managers is promulgated by the Public Employee Retirement Administration Commission pursuant to M.G.L. c. 7, § 50 and M.G.L. c. 32, §§ 21 and 23. Except as may otherwise be provided by the Commission, or by supplementary rules of a particular retirement board approved by the Commission pursuant to 840 CMR 14.02, or by statute, 840 CMR 17.00 shall govern the conduct of all retirement board fiduciaries and qualified investment managers. No person who is not a qualified investment manager as defined by 840 CMR 16.01 shall provide investment advice on the purchase and sale of investments to or manage the funds on behalf of any retirement system.

17.01: Bonding of Persons Having Access to Retirement Board Funds

All board members and retirement system staff shall be bonded in an amount sufficient to provide reasonable protection against losses due to fraud and dishonesty and each shall be bonded for no less than 10% of the amount of the fund or \$500,000. The Commission may prescribe a bond in excess of \$500,000, provided that such bond shall not exceed 10% of the amount of the fund.

17.02: Code of Ethics for Fiduciaries

Fiduciaries shall subscribe and conform to the following code of ethics:

- (1) Fiduciaries shall conduct themselves with integrity and act in an ethical manner in their dealings with the public, retirement board, employers, employees, and fellow fiduciaries.
- (2) Fiduciaries shall conduct themselves and shall encourage other fiduciaries to perform their functions in a professional and ethical manner that will reflect credit on themselves and their profession.
- (3) Fiduciaries shall act with competence and shall strive to maintain and improve their competence and that of others in their profession.
- (4) Fiduciaries shall use proper care and exercise independent professional judgment.

### 17.03: Standards of Conduct for Fiduciaries

Every fiduciary shall know and comply with all applicable provisions of M.G.L. c. 268A governing the conduct of public officials and employees and shall conform to the standards of conduct prescribed by M.G.L. c. 268A, § 23.

(1) Every fiduciary shall:

- (a) Comply with the standards set forth in 840 CMR 1.00
- (b) operate in accordance with retirement system procedures, documents and instruments; and
- (c) inform each retirement system qualified investment manager of the Code of Ethics and Standards of Conduct applicable to qualified investment managers pursuant to 840 CMR 17.02 and 17.04.

(2) No fiduciary shall:

- (a) receive additional compensation for services as a retirement board fiduciary if he or she is employed full- time by an employer whose employees are members of that retirement system except as otherwise provided by law;
  - (b) deal with retirement system assets for his or her own account or in his or her own interest;
  - (c) act in any manner affecting a retirement system on behalf of any person or organization whose interests are adverse to the interests of the system, its members or beneficiaries;
  - (d) receive anything of value for his or her own personal account from any person or organization in connection with a transaction involving retirement system assets; or
  - (e) cause a retirement system to engage in a transaction which involves, directly or indirectly, a sale, exchange, lease or transfer of assets to or from, or the use of assets by or for the benefit of, or the furnishing of goods, services or facilities to or by, or the lending of money or extension of credit to or by, a party in interest.
- A party in interest includes:

- 1. any board member, fiduciary, employee, broker, agent or person providing services to the board;
- 2. any organization of members of the retirement system;
- 3. any corporation, partnership, or trust or estate of which or in which 10% or more of:
  - a. the voting stock or value of all stock of such corporation;
  - b. the interest in capital or profits of such partnership; or
  - c. the beneficial interest of such trust or estate is owned directly or indirectly by persons described in 840 CMR 17.03(2)(e)1.; and
- 4. any spouse, ancestor, lineal descendant, or spouse of a lineal descendant of any individual described in 840 CMR 17.03(2)(e)1.